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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE: FINANCIAL SITUATION OF UNIDO

Information on developments concerning the unified conference service

Report by the Director-General

Summary

Reports on the implementation of decision GC.5/Dec.19 concerning the establishment of a unified conference service in Vienna under United Nations administration and presents revised regular budget estimates for the biennium 1994-1995 in respect of those programmes affected by the new arrangements, which became effective on 1 April 1995.

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Introduction

1. In its decision GC.5/Dec.19, the General Conference urged the Director-General to finalize with the United Nations as soon as possible the arrangements for the transfer of administrative responsibility for conference services from UNIDO to the United Nations Office at Vienna (UNOV) effective 1 January 1995.

2. The present document reports on the implementation of that decision and presents the financial adjustments to the approved programme and budgets, 1994-1995, within the resource allocations of those programmes affected by the implementation of the new arrangements.

I. BACKGROUND

3. Under the terms of the agreement signed on 29 October 1985 between the United Nations and UNIDO, responsibility for the provision of joint conference services was shared by the two Organizations, as follows:

> UNIDO: Responsible for language and documentation services, including translation, typing, editorial control, publication, printing, documents control and distribution;
>
> UNOV: Responsible for meetings planning and interpretation services.

4. The agreed arrangements in respect of the joint services were not intended to be of a permanent nature and the United Nations subsequently undertook discussions with the International Atomic Energy Agency (IAEA) and UNIDO with a view to obtaining agreement on the establishment of a single conference servicing operation in Vienna. Pending the outcome of those discussions, staff occupying UNIDO posts in the Languages and Documentation Service retained their United Nations contracts, and new appointees to the service were given United Nations appointments.

5. A series of resolutions adopted by the United Nations General Assembly (39/68 of 13 December 1984, 39/242 of 18 December 1984, 44/201 A of 21 December 1989 and 45/248 A of 21 December 1990) represented the legislative mandates for the ensuing negotiations. The negotiations took place under the auspices of the Advisory Committee for Conference Services, comprising representatives of IAEA, UNIDO and the United Nations. Little progress was made in reaching agreement on a unified conference service in Vienna, except for the proposal for a common interpretation service under United Nations administration, which was introduced from 1 January 1992. The IAEA position in respect of other conference services, such as translation and related services, was that the specialized requirements of IAEA could not be met through a common service under United Nations administration.

6. Negotiations between the United Nations and UNIDO intensified in 1990 and 1991, and although agreement in principle on establishing a unified conference service was reached, the question of organizational responsibility for administering the service remained unresolved.

7. In January 1993, the United Nations informed UNIDO that the conference servicing arrangements agreed between United Nations and UNIDO on 29 October 1985 would cease effective 31 December 1995. It therefore became imperative that the question of future conference servicing arrangements in Vienna be speedily resolved. The anticipated high cost of establishing separate conference services for UNIDO and the United Nations, which was being considered by the United Nations, reinforced the view that maintaining a joint conference service would be the most cost-efficient system for both Organizations.

8. Following an exchange of letters between senior officials of the United Nations and UNIDO, UNIDO agreed to consider a plan for the transfer of administrative responsibility for conference services from UNIDO to UNOV as communicated to the Industrial Development Board in June 1993 (IDB.11/21). The decision of the Board (IDB.11/Dec.27) in support of the transfer proposal was confirmed by the General Conference of UNIDO in December 1993, which, *inter alia*, urged the Director-General to finalize with the United Nations as soon as possible the arrangements for the transfer of administrative responsibility for conference services from UNIDO to the United Nations Office at Vienna (decision GC.5/Dec.19).

II. IMPLEMENTATION OF NEW ARRANGEMENTS

9. The transfer of administrative responsibility from UNIDO to UNOV entails financial implications for the 1994-1995 budgets of both the United Nations and UNIDO. Following discussions between UNIDO and the United Nations on the proposal responding to the mandates of the United Nations General Assembly and the UNIDO General Conference, a report was prepared by the Secretary-General on revised estimates for conference services at Vienna (A/C.5/49/24).

10. The Advisory Committee on Administrative and Budgetary Questions in its report of 17 February 1995

(A/49/7/Add.9), recommended the establishment of a unified conference service at the Vienna International Centre under the management of the United Nations effective 1 April 1995. The General Assembly approved the proposals of the Secretary-General in resolution 49/237.

11. Negotiations were carried out throughout 1994 between UNIDO and the United Nations on the modalities for implementing the transfer of administrative responsibility. With a view to preparing an agreement on the unified conference service, the following developments took place:

(a) **Transfer of staff from UNIDO to UNOV**

12. The UNIDO programme and budgets, 1994-1995, included provision for established posts in Programme 1120 (Languages and Documentation). These comprised 49 Professional and 79 General Service posts which, together with the staff occupying these posts, were transferred to UNOV with effect from 1 April 1995. The transfer was implemented without problems and administrative responsibility has been assumed by UNOV.

(b) **Budgetary provisions**

13. Under the previous arrangements, the expenditures for the provision of language and documentation services were recorded against budgetary allocations in both the United Nations and UNIDO budgets. The total costs incurred by both Organizations were shared and, where applicable, income credited against the UNIDO budget. The new arrangements provide for gross budgeting by the administering organization (UNOV) offset by expected income from user organizations equal to their budgetary provisions. The introduction of gross budgeting for the unified conference service will simplify the budgetary presentation of the conference servicing requirements of both Organizations. UNIDO's financial reporting on conference servicing budgetary provisions and expenditures will be more transparent and should lead to improved monitoring and control of expenditures.

(c) **Cost-sharing arrangements**

14. The principle of cost sharing of services between the Organizations will be maintained under the new arrangements. However, the methodologies for the cost sharing of translation services will be modified, and in future UNIDO will be charged for documents translated on an agreed standard rate per page. The standard rate is based on the estimated UNOV staff costs (including temporary assistance) and the capacity of the service. UNIDO is subject to a guaranteed minimum payment equivalent to 32 per cent of the capacity in terms of pages translated by UNOV staff budgeted under established posts. This floor rate is lower than the current annual volume of documentation by UNIDO and is covered by UNIDO budgetary provisions for the services to be provided.

15. Interpretation services will be charged at a standard rate per work day, together with actual travel costs where applicable. Other services for which standard costs are not available will generally be cost shared on the basis of the workload of such services attributable to each Organization. (For example editorial control will be shared on the basis of the number of words edited). Costs of equipment, supplies and materials will continue to be shared between the parties.

(d) **Agreement**

16. The draft agreement covering the financial and administrative arrangements governing the new service, which was drawn up following discussions between UNOV and UNIDO, also proposes the establishment of a joint working group with responsibility for reviewing the operation of the agreement. The final draft of the agreement is under preparation and is expected to be signed by UNOV and UNIDO in the near future.

III. UNIDO BUDGETARY ADJUSTMENTS, 1994-1995

17. The approved UNIDO programme and budgets for 1994-1995 (GC.5/14/Rev.1) included provision for the cost of language and documentation services under Major Programme 100 (Policy-making Organs) and Programme 1120 (Languages and Documentation), as shown in annex I to the present document. The gross financial estimates for these services were mainly related to Professional and General Service posts in Languages and Documentation Services. The gross costs of Language and Documentation Services was offset to some extent by budgetary provision for income from UNOV for cost-shared services. Also subject to cost sharing were provisions for established posts and temporary assistance, which were also included in the United Nations budgets.

18. The transfer of the administration of conference services to UNOV effective 1 April 1995 has resulted in the deletion of the budgetary provisions for established posts and other items, such as temporary assistance for meetings and contractual translation from the UNIDO budget. Details of the changes in the number of established posts are shown in annex II. The provisions for income to the UNIDO budget have also been reduced to take account of that period of the biennium (1 April to 31 December 1995) where UNIDO will be a purchaser of services rather than the supplier.

19. Subsequent to 1 April 1995, the relevant budgetary requirements will consist of financial provisions covering the UNIDO share of the costs of specific individual conference services provided by UNOV to UNIDO. The specific services are programme direction and management, translation, reference and terminology, editorial control, documents control, correspondence, printing and copy preparation, reproduction, documents distribution, meetings planning and servicing, and interpretation. Budgetary allocations for these services are therefore redeployed to the object of expenditure "contributions to joint activities" in Major Programme 100 (Policy-making Organs) and Programme 1120 (Languages and Documentation).

20. The revised budgetary provisions are based on the same assumptions as the budgetary provisions approved by the General Conference (GC.5/14/Rev.1) in terms of workload and cost-sharing ratios. Therefore, the 1994-1995 resource allocations for conference services as shown in annex I remain unchanged in total. However, the estimates for the Major Programmes and Programmes affected take account of their specific documentation requirements for the period 1 April to 31 December 1995. The revised estimates also require a transfer of resources mainly from staff costs to provide a budgetary provision for contributions to the joint services administered by UNOV.

21. The revised budgetary provisions for the UNIDO Major Programmes and major objects of expenditure are shown in annex III. The adjustments to the net budgetary requirements for the 1994-1995 biennium initially presented in paragraph (d) of GC.5/Dec.18 are shown in annex IV to the present document.

IV. FINANCIAL IMPLEMENTATION, 1994-1995

22. Savings are expected to arise in the 1994-1995 biennium as a result of: (a) anticipated reduced documentation requirements for UNIDO in the current biennium as compared to the budgetary provision; (b) lower-than-budgeted standard salary costs; and (c) efficiency savings anticipated under the new arrangements with the United Nations.

23. Based on the estimates made by UNOV and UNIDO for inclusion in the report of the Secretary-General to the United Nations General Assembly in November 1994 (document A/C.5/49/24), UNIDO budgetary requirements for 1995 would decrease by approximately $1.8 million. The total estimated 1994-1995 savings against the budgetary estimates resulting from reduced workload and other factors are expected to exceed $3 million for the entire biennium, which would be reported as unspent appropriations.

24. However, in view of the fact that the biennium has seven months to run, it is not possible to quantify the exact level of budgetary savings that will be achieved. Based on previous experience, an increasing workload during the remainder of the biennium could be anticipated, which would increase the rate of financial implementation of budgetary allocations.

V. ACTION REQUIRED OF THE BOARD

25. The Board may wish to take note of the information provided in the present report.

Annex I

BUDGETARY IMPACT OF LANGUAGE AND DOCUMENTATION SERVICES TRANSFER

(In thousands of US dollars at US$1=AS12.90 at 1994-1995 costs)

Major object of expenditure	Approved budget, 1994-1995 (GC.5/14/Rev.1)					Redeployments in 1995					Adjusted budget, 1994-1995				
	GROSS			INCOME	NET	GROSS			INCOME	NET	GROSS			INCOME	NET
	Programme		TOTAL	Programme	TOTAL	Programme		TOTAL	Programme	TOTAL	Programme		TOTAL	Programme	TOTAL
	100 a/	1120 b/	(1+2)	1120 b/	(3-4)	100 a/	1120 b/	(6+7)	1120 b/	(8-9)	100 a/	1120 b/	(11+12)	1120 b/	(13-14)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
100 Staff costs	393.0	18,965.1	19,358.1	2,644.1	16,714.0	(120.9)	(7,280.5)	(7,401.4)	(983.1)	(6,418.3)	272.1	11,684.6	11,956.7	1,661.0	10,295.7
200 Official travel		35.3	35.3	21.8	13.5		(12.9)	(12.9)	(8.3)	(4.6)	0.0	22.4	22.4	13.5	8.9
300 Contractual services	323.7	233.9	557.6		557.6		(89.0)	(89.0)		(89.0)	323.7	144.9	468.6	0.0	468.6
400 General operating expenses	57.8	539.2	597.0		597.0			0.0		0.0	57.8	539.2	597.0	0.0	597.0
900 Other expenses	1,457.2	1,030.4	2,487.6	3.3	2,484.3	3,025.5	3,485.1	6,510.6	(1.3)	6,511.9	4,482.7	4,515.5	8,998.2	2.0	8,996.2
Total	2,231.7	20,803.9	23,035.6	2,669.2	20,366.4	2,904.6	(3,897.3)	(992.7)	(992.7)	0.0	5,136.3	16,906.6	22,042.9	1,676.5	20,366.4

a/ Major Programme 100 - Policy-making Organs.

b/ Programme 1120 - Languages and Documentation.

Annex II

POSTS ESTABLISHED UNDER THE REGULAR BUDGET IN 1994-1995 a/

	Approved posts 1994-1995 (GC.5/14/Rev.1)	Transfer of posts to UNOV in 1995	Adjusted posts 1994-1995
	RB	RB	RB
Professional and above			
Director-General	1		1
Director	38	-1	37
P-5	105	-7	98
P-4	130	-17	113
P-3	85	-20	65
P-2/1	39	-4	35
Subtotal	**398**	**-49**	**349**
General Service			
Principal level	23	-5	18
Other level	563	-74	489
Subtotal	**586**	**-79**	**507**
Language teachers	6		6
Total	**990**	**-128**	**862**

a/ Impact of transfer of language and documentation services from UNIDO to UNOV with effect from 1 April 1995.

Annex III

REVISED APPROPRIATIONS FOR 1994-1995

Table 1. By Major Programme a/

(In thousands of US dollars at US$ 1 = AS 12.90)

Major Programme	Approved budget 1994-1995 (GC.5/14/Rev. 1) (1)			Redeployments (PBC.10/10 and PBC.11/7) (2)			Additional redeployments b/ (3)			Adjusted budget 1994-1995 (4) = (1)+(2)+(3)		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
100 - Policy-making Organs	2,231.7		2,231.7			0.0	2,904.6		2,904.6	5,136.3	0.0	5,136.3
200 - General Management	10,944.0		10,944.0	322.6		322.6			0.0	11,266.6	0.0	11,266.6
300 - Country Strategy and Programme Development	19,800.1		19,800.1	(940.1)		(940.1)			0.0	18,860.0	0.0	18,860.0
400 - Mobilization and Management of Financial Resources	7,253.4		7,253.4	863.2		0.0 863.2			0.0	8,116.6	0.0	8,116.6
500 - Information and Research	14,675.5		14,675.5	359.6		359.6			0.0	15,035.1	0.0	15,035.1
600 - Human Resource, Enterprise and Private Sector Development	11,545.7		11,545.7	(29.1)		(29.1)			0.0	11,516.6	0.0	11,516.6
700 - Industrial Sectors and Environment	21,804.0		21,804.0	(107.7)		(107.7)			0.0	21,696.3	0.0	21,696.3
800 - Investment and Technology Promotion	17,590.2		17,590.2	(731.3)		(731.3)			0.0	16,858.9	0.0	16,858.9
900 - Common Programmes	17,178.0		17,178.0	1,447.8		1,447.8			0.0	18,625.8	0.0	18,625.8
1000 - Operational Support Services	6,461.4	249.0	6,212.4	(1,124.6)		(1,124.6)				5,336.8	249.0	5,087.8
1100 - Joint and Common Services	64,584.4	28,743.6	35,840.8			0.0	(3,897.3)	(992.7)	(2,904.6)	60,687.1	27,750.9	32,936.2
1200 - Administration	35,251.8	2,422.0	32,829.8	(60.4)		(60.4)			0.0	35,191.4	2,422.0	32,769.4
TOTAL	229,320.2	31,414.6	197,905.6	0.0	0.0	0.0	(992.7)	(992.7)	(0.0)	228,327.5	30,421.9	197,905.6

a/ Excluding miscellaneous income.

b/ Impact of transfer of language and documentation services from UNIDO to UNOV with effect from 1 April 1995.

Table 2. By major object of expenditure a/

(In thousands of US dollars at US$ 1 = AS 12.90)

Major object of expenditure	Approved budget 1994-1995 (GC.5/14/Rev. 1) (1)			Redeployments b/ 1995 (2)			Adjusted budget 1994-1995 (3) = (1) + (2)		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
100 Staff costs	161,415.6	15,077.2	146,338.4	(7,401.4)	(983.1)	(6,418.3)	154,014.2	14,094.1	139,920.1
200 Official travel / meetings	4,022.7	27.0	3,995.7	(12.9)	(8.3)	(4.6)	4,009.8	18.7	3,991.1
300 Contractual services	794.6		794.6	(89.0)		(89.0)	705.6	0.0	705.6
400 General operating expenses	29,078.9	15,144.7	13,934.2			0.0	29,078.9	15,144.7	13,934.2
500 Supplies and materials	1,092.6	205.5	887.1			0.0	1,092.6	205.5	887.1
600 Acquisition of furniture and equipment	1,352.2	556.7	795.5			0.0	1,352.2	556.7	795.5
700 EDP non-staff costs	7,174.3	400.2	6,774.1			0.0	7,174.3	400.2	6,774.1
800 Technical cooperation	11,778.6		11,778.6			0.0	11,778.6	0.0	11,778.6
900 Other expenses	12,610.7	3.3	12,607.4	6,510.6	(1.3)	6,511.9	19,121.3	2.0	19,119.3
TOTAL	229,320.2	31,414.6	197,905.6	(992.7)	(992.7)	0.0	228,327.5	30,421.9	197,905.6

a/ Excluding miscellaneous income.

b/ Impact of transfer of language and documentation services from UNIDO to UNOV with effect from 1 April 1995.

Annex IV

REVISIONS TO DECISION GC.5/DEC.18

Table 1. Revision to table in paragraph (d) of GC.5/Dec.18

(In US dollars)

	Paragraph (d), GC.5/Dec.18			Resource adjustments a/			Revised budget		
	Appropriation	Estimated income	Net requirements	Appropriation	Estimated income	Net requirements	Appropriation	Estimated income	Net requirements
Policy-making Organs	2,231,700		2,231,700	2,904,600	0	2,904,600	5,136,300		5,136,300
General Management	10,944,000		10,944,000	322,600	0	322,600	11,266,600		11,266,600
Country Strategy and				0	0	0			0
Programme Development	19,800,100		19,800,100	(940,100)	0	(940,100)	18,860,000		18,860,000
Mobilization and Management				0	0	0			0
of Financial Resources	7,253,400		7,253,400	863,200	0	863,200	8,116,600		8,116,600
Information and Research	14,675,500		14,675,500	359,600	0	359,600	15,035,100		15,035,100
Human Resource, Enterprise				0	0	0			0
and Private Sector Development	11,545,700		11,545,700	(29,100)	0	(29,100)	11,516,600		11,516,600
Industrial Sectors and Environment	21,804,000		21,804,000	(107,700)	0	(107,700)	21,696,300		21,696,300
Investment and Technology Promotion	17,590,200		17,590,200	(731,300)	0	(731,300)	16,858,900		16,858,900
Common Programmes	17,178,000		17,178,000	1,447,800	0	1,447,800	18,625,800		18,625,800
Operational Support Services	6,461,400	249,000	6,212,400	(1,124,600)	0	(1,124,600)	5,336,800	249,000	5,087,800
Joint and Common Services	64,584,400	28,743,600	35,840,800	(3,897,300)	(992,700)	(2,904,600)	60,687,100	27,750,900	32,936,200
Administration	35,251,800	2,422,000	32,829,800	(60,400)	0	(60,400)	35,191,400	2,422,000	32,769,400
Miscellaneous Income		1,595,300	(1,595,300)	0				1,595,300	(1,595,300)
TOTAL	229,320,200	33,009,900	196,310,300	(992,700)	(992,700)	0	228,327,500	32,017,200	196,310,300

a/ See annex III, table 1.

Note: The amounts presented in the table are to be adjusted in accordance with the adjustment formula (see table 2) to take account of exchange rate variations during the biennium.

Table 2. Adjustment formula in US dollars

	GC.5/Dec.18, paragraph (d)		Resource adjustments		Revised adjustment formula	
	US$	AS	US$	AS	US$	AS
Appropriations						
Policy-making Organs	197,900 + (	26,236,000 /R)	276,600	33,901,300	474,500 + (	60,137,300 /R)
General Management	1,195,300 + (	125,757,800 /R)			1,195,300 + (	125,757,800 /R)
Country Strategy and Programme Development	2,542,100 + (	222,628,200 /R)	(164,800)	(19,529,400)	0	0
					2,377,300 + (	203,098,800 /R)
					0	0
Mobilization and Management of Financial Resources	832,100 + (	82,834,300 /R)	95,500	9,903,400	927,600 + (	92,737,700 /R)
Information and Research	1,868,300 + (	165,212,700 /R)	69,200	9,627,400	1,937,500 + (	174,840,100 /R)
Human Resource, Enterprise and Private Sector Development	1,302,100 + (	132,142,600 /R)			0	0
					1,302,100 + (	132,142,600 /R)
Industrial Sectors and Environment	2,376,000 + (	250,621,400 /R)			2,376,000 + (	250,621,400 /R)
Investment and Technology Promotion	2,265,600 + (	197,686,800 /R)			2,265,600 + (	197,686,800 /R)
Common Programmes	3,883,200 + (	171,503,500 /R)	192,600	16,192,100	4,075,800 + (	187,695,600 /R)
Operational Support Services	666,900 + (	74,749,000 /R)	(192,600)	(16,192,100)	474,300 + (	58,556,900 /R)
Joint and Common Services	5,006,700 + (	768,552,200 /R)	(366,300)	(45,550,100)	4,640,400 + (	723,002,100 /R)
Administration	3,997,200 + (	403,184,300 /R)			3,997,200 + (	403,184,300 /R)
Subtotal - Appropriations	26,133,400 + (	2,621,108,800 /R)	(89,800)	(11,647,400)	26,043,600 + (	2,609,461,400 /R)
					0	0
					0	0
Estimated income						
Operational Support Services	23,800 + (	2,905,000 /R)			23,800 + (	2,905,000 /R)
Joint and Common Services	1,663,200 + (	349,337,200 /R)	(89,800)	(11,647,400)	1,573,400 + (	337,689,800 /R)
Administration	172,700 + (	29,015,700 /R)			172,700 + (	29,015,700 /R)
Miscellaneous	716,500 + (	11,335,910 /R)			716,500 + (	11,335,910 /R)
Subtotal - Estimated income	2,576,200 + (	392,593,810 /R)	(89,800)	(11,647,400)	2,486,400 + (	380,946,410 /R)
					0	
TOTAL NET REQUIREMENTS	23,557,200 + (	2,228,514,990 /R)	0	0	23,557,200 + (	2,228,514,990 /R)

Note 1: The net requirements shown above assume a ratio of 12 per cent in US dollars and 88 per cent in Austrian schillings at an exchange rate of US$ 1 = AS 12.90.

Note 2: R represents the average United Nations exchange rate for Austrian schilling to US dollar which will be experienced during 1994-1995.